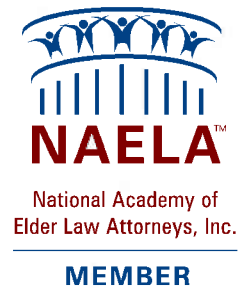


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## **A Consumer's Guide to the Health Reform Bills**

On November 20, the non-partisan Kaiser Health Network published a Consumer's Guide to the Health Reform Bills now pending in Congress. This report summarizes the effects of these bills on such issues as mandated health insurance coverage, employer-sponsored plans, affordability and accessibility of the various types of insurance. The Guide follows in its entirety.

The health care overhaul debate in Congress now centers on two bills: the [House](#) measure and the [Senate](#) Democrats' version unveiled Wednesday. They differ in important ways. Here are answers to questions you may have about the bills:

### **Would the health care bills before Congress require that I obtain health insurance and punish me if I don't?**

Starting in 2013 or 2014, most Americans would be [required](#) to have health insurance coverage or face a financial penalty. Individuals would have to show proof of coverage on their federal income tax returns. Exempt from this requirement would be those with low incomes – many of whom would be covered under an expanded Medicaid program – as well as Native Americans and individuals claiming a religious exemption.

The House would require most individuals to have coverage by 2013 or pay a penalty of up to 2.5 percent of their incomes. The penalty wouldn't exceed the cost of the average plan sold in new insurance exchanges. People who don't make enough money to file income taxes would be exempt.

The Senate requirement would take effect in July 2014. The penalty for not having coverage would be \$95 in 2014, \$350 in 2016 and \$750 in 2017 and thereafter.

You would be exempt if the cost of insurance exceeded 8 percent of your income.

### **I own a business. Would I have to provide health insurance to my workers?**

House and Senate bills handle [the issue](#) differently, but both impose some obligation on all but the smallest employers.

Under the House bill, companies with annual payrolls above \$750,000 would be required to provide insurance or pay a fee equal to 8 percent of payroll. The fees would be lower for firms with payrolls between \$500,000 and \$750,000; companies with payrolls smaller than \$500,000 would be exempt.

Under the Senate bill, employers wouldn't be required to provide coverage. But if any of their workers got government assistance in getting insurance, the employers would have to pay an annual fee of \$750 for each of their employees. Companies with fewer than 50 workers would be exempt.

Both the House and Senate bills set requirements for what constitutes minimally adequate coverage. They are designed to prevent employers from pushing most of their premium costs on to their workers, while claiming to be providing insurance.

### **I like my health insurance. Can I keep it?**

Both proposals would allow individuals and businesses to keep policies they already have. But if you want to switch insurers or change coverage, the new policies would have to meet certain minimum benefit standards, which may differ from what you have now.

### **I buy my own insurance. How would the legislation affect how much I pay?**

Individuals would be able to purchase coverage through new state or national "[exchanges](#)" -- regulated marketplaces that would offer several standardized types of plans from a variety of insurers and possibly a government-run option. New rules would bar insurers from varying premiums based on health status or gender, but would allow differences for age, geographic location and family size.

Premiums could go down for some people -- those with health problems, for example -- and rise for others, such as younger people. Both bills would also require annual review of insurers' rate increases and allow government regulators to bar from the exchange any insurer with "excessive" premium hikes. Federal subsidies could lower premiums if you qualify.

### **Would I be able to buy health insurance from the "public option" that I've heard so much about? What is it, anyway?**

Maybe. Both bills make a public option -- a government-run insurance plan -- one of the choices offered to people eligible to buy coverage through either state or national exchanges. The Senate allows states to opt out of offering a public option. Uninsured people, and those who purchase their own coverage or work for eligible small businesses, would be able to buy through the exchange.

If you have job-based insurance, you probably would not be able to buy through the exchange, unless your portion of the premium exceeds 9.8 percent of your income in the Senate bill and 12 percent in the House bill. Over time, larger businesses may also be able to purchase through the exchange.

### **I can't afford health care coverage. What happens to me?**

Under the Senate bill, if you make up to 133 percent of the poverty level, or \$29,327 for a family of four, you would be eligible for Medicaid, the state-federal program for the poor and disabled.

Those making a bit more – 150 percent of the poverty level -- would be eligible under the House bill. Both bills would expand Medicaid.

If you aren't eligible for Medicaid, you could be eligible for [government subsidies](#) to help buy insurance. Under both the House and Senate bills, the assistance would be made available for people with incomes up to four times the poverty level, or about \$88,000 for a family of four.

The subsidies would kick in once premiums exceed a certain percentage of annual incomes. That threshold would be on a sliding scale, with people at higher incomes expected to pay 12 percent of their incomes for insurance under the House bill and 9.8 percent under the Senate bill. But those thresholds would rise in future years if premiums grew faster than incomes—a likely scenario that would result in [smaller subsidies](#) down the line.

These subsidies aren't available if your employer provides coverage -- except if your company expects you to pay a very large portion of the premiums. In that case, you can forgo your employer's coverage, buy insurance directly and be eligible for subsidies.

### **Would the health bills reduce my out-of-pocket costs?**

The legislation provides new protections. Under both the House and Senate bills, for example, insurers could no longer impose annual or lifetime limits. In addition, under the House bill, individuals wouldn't pay more than \$5,000 a year for deductibles and co-insurance. Families would have a \$10,000 limit. The Senate bill sets higher limits. How much so won't be clear for a few years, but if the law were in place today, the caps would be \$5,950 for individuals and \$11,900 for families. Under both bills, out-of-pocket costs would be set lower for most people who qualify for government premium subsidies.

The bottom line: If you have exorbitant medical expenses now, you will probably pay less in out-of-pocket costs under the legislation. But if you shell out a few thousand dollars a year and don't qualify for government help, your out-of-pocket costs might not change under either bill.

### **I can't get insurance now because I have a pre-existing condition. Would that change?**

Yes. Both bills would stop insurers from rejecting applicants with medical conditions once the exchanges are operational -- 2013 in the House bill and 2014 in the Senate version. The House bill creates a temporary high-risk pool that would start immediately for people who have been rejected for coverage and others with pre-existing medical conditions.

It would also immediately shorten the time -- from a year to three months -- that insurers could exclude coverage of certain pre-existing medical conditions under group policies. Both bills would also bar insurers from retroactively canceling policies of individuals who fall ill with costly conditions for reasons other than fraud.

### **My current insurance doesn't cover certain conditions. Would this change?**

New policies sold through the exchange must cover a range of benefits, including hospitalization, doctor visits, prescription drugs, maternity care and certain preventive tests. Some of those benefits may not be included in policies currently purchased by some individuals and small businesses.

### **I'm over 65. How would the legislation affect seniors?**

Under both bills, government payments to [Medicare Advantage](#), the private-plan part of Medicare, would be cut back. If you are one of the 10 million beneficiaries covered by those private plans, you might lose benefits such as free eyeglasses, hearing aids and gym memberships.

However, both bills would eliminate all Medicare co-payments on preventive services, such as screenings for colon, prostate and breast cancer. In addition, the Medicare prescription drug benefit would be improved under both bills.

The Senate bill would create an independent commission to recommend ways to restrain Medicare spending. The House does not.

### **Will my taxes go up to pay for this?**

It depends how much you earn - both bills would increase taxes for affluent Americans.

To increase coverage and pay for subsidies, the House-passed bill would cost about \$1.1 trillion over a decade, while the new Senate bill comes in at \$848 billion. The House would impose as much as a 5.4 percent surtax on individuals earning more than \$500,000 a year and couples making more than \$1 million.

The Senate bill would increase the Medicare payroll tax by 0.5 percent for individuals with annual incomes of over \$200,000 and couples earning more than \$250,000. It would also tax insurers on health policies with premiums over \$8,500 for individuals and \$23,000 for families. Some critics of the provision argue that it could some affect middle- and lower-income people with high-value health plans.

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